

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AGR-01 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10 OIC-02
/169 W

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P 191644Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8603
INFO AMEMBASSY BRASILIA
AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 05932

USMTN

PASS STR ELECTRONICALLY FOR ACTION

AMEMBASSY SINGAPORE PASS LANCE GRAEF

STR PASS CODEL

E.O. 11652 N/A
TAGS: ETRD, MTN, BR
SUBJECT: U.S./BRAZIL BILATERAL ON TARIFFS AND NTMS

REF: (A) GENEVA 4257, (B) STATE 93709

1. SUMMARY. U.S. MTN DEL (HARTZELL, GRAEF, ET AL) MET
APRIL 13 WITH 15-MEMBER BRAZILIAN TEAM LED BY JOSE
BOTAFOGO GONCALVES (TRADE POLICY DIVISION, MFA) AND OTTO
FERREIRA NEVES (MINISTRY OF FINANCE) FOR LENGTHY BI-
LATERAL ON TARIFFS AND NTMS. BRAZILIAN DEL, WHICH WAS
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COMPOSED OF BRASILIA INTERAGENCY GROUP PLUS GENEVA REPS,
AMPLEY DEMONSTRATED GOB'S CURRENT RELUCTANCE TO MAKE
SIGNIFICANT CONTRIBUTIONS IN THE TARIFF AND NTM
SECTORS, MERITING BOTAFOGO'S COMMENT THAT COMMON NEGOTI-
ATING GROUND SO FAR IS INDEED NARROW; HE DENIED THAT
BRAZIL WAS STONEWALLING, HOWEVER. U.S. DEL DISCUSSED
AT LENGTH THE VALUE OF THE U.S. OFFER TO BRAZIL IN

RELATION TO LATTER'S REQUESTS AND STRESSED NEED FOR INDICATIONS OF SOME RECIPROCITY IN ORDER TO MAINTAIN (MUCH LESS IMPROVE) U.S. OFFER. U.S. DEL QUESTIONED WHETHER BRAZIL'S ADMITTED PREOCCUPATION WITH MAINTAINING ITS FLEXIBILITY IN USE OF PROTECTIVE COMMERCIAL POLICY COULD AUGUR WELL FOR FINAL NEGOTIATIONS. END SUMMARY.

2. U.S. DEL OPENED SESSION WITH OBSERVATION THAT IT IS CRITICAL FOR U.S. TO DETERMINE WHETHER WE ARE MOVING IN DIRECTION OF AN ACCEPTABLE BILATERAL PACKAGE WITH BRAZIL. RECEIPT OF TARIFF AND NTM REQUEST LISTS FROM BRAZIL WAS AN ENCOURAGING SIGN BUT THE COMPOSITION OF THE LISTS (EMPHASIZING GSP INCLUSION, CVD RELIEF, AND OTHER "IMPOSSIBLES") WAS A CAUSE FOR CONCERN RE BRAZILIAN INTENTIONS. U.S. DEL ALSO STRESSED THE IMPORTANCE OF OBTAINING A RELATIVE QUID PRO QUO IN TARIFF AND NORMATIVE (NTM CODE) AREAS. BRAZILIAN DEL POINTED TO SIZE OF LARGE TEAM FROM BRASILIA AS EVIDENCE OF IMPORTANCE GOB ATTACHES TO THE MTN AND REITERATED BRAZIL'S FAMILIAR LINE THAT OVERALL BRAZILIAN CONTRIBUTIONS WILL BE GEARED TO "ADDITIONAL BENEFITS" ACCRUING TO BRAZIL, WHEN THOSE ARE KNOWN. U.S. DEL RESPONDED THAT BY JULY, U.S. DECISION-MAKING APPARATUS WOULD BE HEAVILY ENGAGED IN FINAL DECISIONS AND THAT FURTHER BRAZILIAN RELUCTANCE TO NEGOTIATE COULD SEVERELY LIMIT THEIR ABILITY TO INFLUENCE RELEVANT U.S. OFFERS AND DECISIONS. LIMITED OFFICIAL USE

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3. FOR BENEFIT OF BRASILIA VISITORS, U.S. DEL AGAIN (SEE REF A) REVIEWED MFN PORTION OF BRAZILIAN TARIFF REQUEST LIST ITEM BY ITEM AND SPECIFIED SUPPLEMENTAL GREATER-THAN-FORMULA CONDITIONAL OFFERS ON TWO BEEF ITEMS (TSUS ITEMS 107.45 AND *07.48), EMPHASIZING THE VALUE OF THESE CONCESSIONS TO BRAZIL AND THE SMALL VOLUME OF U.S. EXPORTS TO BRAZIL IN THE ITEMS TO WHICH THE CONCESSIONS ARE TIED. U.S. DEL NOTED OFFERS ALREADY MADE ON TWO OTHER MEAT ITEMS REQUESTED (107.52 AND 107.6040) AND A THIRD ITEM (107.80) OF TRADE SIGNIFICANCE TO BRAZIL BUT NOT REQUESTED. WITH RESPECT TO THE OTHER AGRICULTURAL ITEMS REQUESTED, U.S. DEL NOTED THAT: DECISIONS ARE STILL PENDING FOR FOUR (165.3540, 170.32, 170.60 AND 170.72); OFFERS WERE LONG AGO TABLED IN THE TROPICAL PRODUCTS (TP) GROUP FOR TWO (152.54 AND 160.20); REMAINDER WERE REQUESTS FOR INCLUSION IN GSP WHICH NOT MATTER FOR MTN BARGAINING. ON INDUSTRIAL REQUESTS, U.S. DEL NOTED THAT MOST WERE FOR GSP AND ANY CHANGE FROM OUR JANUARY OFFER IN STATUS OF NON-GSP INDUSTRIAL REQUEST ITEMS WOULD BE GIVEN AT A LATER DATE.

4. U.S. DEL NOTED SEVERAL WAYS IN WHICH BRAZILIAN
TARIFF REQUESTS DID NOT MATCH OBVIOUS TRADE INTERESTS:

(1) SEVERAL TP ITEMS IN WHICH BRAZIL HAD PREVIOUSLY
EXPRESSED INTEREST BUT WHICH NOT ON REQUEST LIST--
WITHOUT REQUEST IT IS DOUBTFUL WHETHER U.S. COULD
MAINTAIN ITS TP OFFERS; (2) SEVERAL GSP ITEMS WHERE

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DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10 OIC-02
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FM UKMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8604
INFO AMEMBASSY BRASILIA
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BRAZIL EXCLUDED ON A MARKET SHARE OR VALUE BASIS--BUT
NO MFN REQUEST WAS MADE; AND (3) SEVERAL KEY ITEMS OF
TRADE INTEREST TO BRAZIL WHERE U.S. HAS OFFERED DUTY
ELIMINATION, WITH ATTENDANT QUALITATIVE BENEFITS, BUT
WHICH NOT ON REQUEST LIST.

5. RESPONDING GENERALLY, BRAZILIAN DEL ASSERTED IT WAS
ONLY INTERESTED IN THOSE ITEMS CONTAINED IN ITS CURRENT
REQUEST LIST, WITH THE POSSIBLE ADDITION OF COCOA BUTTER
AND UNSWEETENED CHOCOLATE. RATIONALE OFFERED FOR THIS

INCLUDED FOLLOWING POINTS: (1) BRAZIL PREFERS PREFER-
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ENTIAL TREATMENT AND DOES NOT FEEL MOST MFN REDUCTIONS
WOULD IMPROVE ITS MARKET ACCESS; (2) BRAZIL IS NOT
WILLING TO MAKE EXTENSIVE "COUNTERPART PAYMENTS" FOR
CONCESSIONS, DUE TO EXTREME IMPORT SENSITIVITY OF ITS
NUMEROUS INFANT INDUSTRIES, THE HIGH TARIFFS NEEDED TO
PROTECT SUCH INDUSTRIES, AND THE UNCERTAIN DIRECTION
OF MANY NEW DEVELOPMENT PROGRAMS; (3) BRAZIL CONSIDERS
VALUABLE (WORTH PAYING FOR) ONLY THOSE CONCESSIONS
WHERE IMMEDIATE EXPORT INCREASES WILL RESULT. BOTAFOGO
BLUNTLY NOTED BRAZILIAN DESIRE TO MAINTAIN FLEXIBILITY
TO ADJUST TARIFF LEVELS, WHILE ASSERTING THAT BRAZILIAN
IMPORT REGIME IN PRACTICE ADMINISTERED FAR MORE
LIBERALLY THAN REQUIRED.

6. ON BRAZILIAN NTM REQUESTS, U.S. DEL REMARKED THAT
ALL THREE REQUESTS HAD BEEN RESPONDED TO IN OUR
JANUARY 23 OFFER, NOTING THAT MATTERS CONCERNING
SANITARY RESTRICTIONS AND COUNTERVAILING DUTIES WERE
BEING NEGOTIATED IN THE APPROPRIATE MTN SUBGROUPS AND
THAT THE PRESIDENT HAD RECENTLY DECIDED TO RETAIN ESCAPE-
CLAUSE RESTRICTIONS ON ALLOY STEEL BARS, THUS PRECLUDING
ANY NEGOTIATED CONCESSIONS.

7. ON U.S. TARIFF REQUESTS, BRAZILIAN DEL SAID ITS
ANALYSES WERE NOT YET COMPLETE AND IT WAS NOT CURRENTLY
IN A POSITION TO DISCUSS THE LIST ON A PRODUCT-BY-
PRODUCT BASIS. U.S. DEL STRESSED THE URGENCY OF
OBTAINING SOME TYPE OF RESPONSE AND ASKED WHETHER
BRAZILIANS WOULD BE READY TO DISCUSS PRODUCT SPECIFIC
RESPONSES AT TECHNICAL-LEVEL SUBGROUP SESSIONS DURING
THE FIRST WEEK OF MAY. BRAZILIAN DEL REPLIED PROBABLY
NOT, SINCE THEY WOULD HAVE ONLY ONE WEEK IN BRASILIA
FOR "TURN-AROUND" AFTER GENEVA CONSULTATIONS.
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8. ON U.S. NTM REQUESTS, BRAZILIAN DEL STATED THAT
THEIR PORT TAXES WERE NOT NEGOTIABLE (EVEN WITHIN
LAFTA) AND COMMENTED ON THE NONDISCRIMINATORY AND NON-
RESTRICTIVE NATURE OF THE TAXES. WHILE ADMITTING TO
THE RESTRICTIVENESS OF THEIR MOTION PICTURE LOCAL
COPYING REQUIREMENTS, BRAZILIANS SAID MATTER WAS NOT
NEGOTIABLE BECAUSE OF THE PROTECTION IT AFFORDS DOMESTIC
INDUSTRY. ON IMPORT DOCUMENTATION REQUIREMENTS AND

PENALTIES, BRAZILIAN DEL NOTED BRAZIL'S GREAT NEED FOR STRINGENT MEASURES SINCE HIGH TARIFFS TEND TO INCREASE INCENTIVE FOR DUTY EVASION. WHILE NOTING REDUCTION IN PENALTY LEVELS WAS IMPOSSIBLE, BRAZIL DEL DID HINT AT POSSIBILITY OF INCREASING THE TOLERANCE FOR ERRORS. BRAZILIANS STATED THAT WEIGHT AND QUANTITY DOCUMENTATION REQUIREMENTS FOR MINOR COMPONENT PARTS INCORPORATED IN LARGE SHIPMENTS HAD BEEN ELIMINATED THROUGH AN INTERNAL CACEX DIRECTIVE AND PROMISED TO PROVIDE U.S. DEL WITH WRITTEN DOCUMENTATION WHEN ISSUED PUBLICLY.

9. IN CLOSING EXCHANGE U.S. DEL SOUGHT ONCE AGAIN TO IMPRESS UPON BRAZILIANS MAJOR STAKE THEY HAD IN MOVING INTO GENUINE NEGOTIATING MODE, AND RAISED SERIOUS QUESTION WHETHER BRAZIL'S APPARENT AIM OF USING MTN TO INCREASE ITS OWN FREEDOM OF ACTION IN THE TRADING SYSTEM OFFERED SUFFICIENT BASIS FOR ACCOMMODATION WITH ITS TRADING PARTNERS. IN THAT LIGHT AT LEAST SOME INTERIM INDICATION OF CONTRIBUTIONS WOULD BE ESSENTIAL AT UPCOMING BRASILIA SESSIONS.

10. COMMENT: BRAZILIAN STATEMENTS IN THIS BILATERAL TOGETHER WITH THEIR CONSISTENTLY NEGATIVE RESPONSES IN THE PRECEDING DAY'S ARTICLE XXVIII BILATERAL, TEND TO CONFIRM THEORY THAT BRAZILIAN AIM UP TO NOW HAS BEEN TO PARTICIPATE ONLY NOMINALLY IN MTN TARIFF NEGOTIATIONS IN ORDER TO AVOID SIGNIFICANT CONTRIBUTIONS AND WITH THE HOPE OF PROFITING FROM GENERAL POST-TOKYO ROUND TARIFF LIMITED OFFICIAL USE

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LIBERALIZATION. ONE BRIGHT SPOT MAY BE THEIR EMERGING WILLINGNESS TO FINALLY TALK ABOUT THE QUESTION OF POSSIBLE CONTRIBUTIONS AND THEIR PROMISE TO CAREFULLY AND EXPEDITIOUSLY REVIEW U.S. REQUESTS. WE BELIEVE CURRENT GENEVA VISIT AND SUBSEQUENT EVALUATION IN BRASILIA MAY REPRESENT CRITICAL JUNCTURE WHEN WE SHOULD BE APPLYING INCREASED PRESSURE FOR CHANGES IN BRAZILIAN ATTITUDE AND OBJECTIVES--ALTHOUGH PROCESS LIKELY TO BE

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FM USMISSION GENEVA

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INFO AMEMBASSY BRASILIA

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INCREMENTAL AND REQUIRE SEVERAL WEEKS TO YIELD ANY
SIGNIFICANT RESULTS. DURING THAT TIME WE SHOULD BE
PRESSING BRAZILIANS ON WORK PROGRAM, TIMETABLE,
TRADEOFFS, ETC. SO AS TO KEEP THEIR ATTENTION FOCUSED
ON IMPORTANCE OF RESPONSIBLE BRAZILIAN ACTION IN
ACHIEVING A SUCCESSFUL MTN AT AN EARLY DATE. END COMMENT.

11. DRAFTED BY ST. MAXENS AND HARTZELL CULBERT

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Message Attributes

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